

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name: Charter Township of Milford Library	County Oakland
Audit Date December 31, 2003	Opinion Date February 4, 2004	Date Accountant Report Submitted To State: April 24, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- |   |   |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132])   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): <b>Plante &amp; Moran, PLLC</b>			
Street Address 27400 Northwestern Highway	City Southfield	State MI	ZIP 48034
Accountant Signature 			



# **Charter Township of Milford Library**

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**Financial Report**  
**December 31, 2003**

# Charter Township of Milford Library

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## Independent Auditor's Report

To the Library Board  
Charter Township of Milford Library  
Oakland County, Michigan

We have audited the accompanying general purpose financial statements of the Charter Township of Milford Library as of and for the year ended December 31, 2003, as listed in the table of contents. These general purpose financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Charter Township of Milford Library as of December 31, 2003 and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

*Plante & Moran, PLLC*

February 4, 2004

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# Charter Township of Milford Library

## Combined Balance Sheet Governmental Fund Type and Account Groups December 31, 2003

		Account Groups		
	Governmental Fund Type - General	General Fixed Assets	General Long-term Debt	Total (Memorandum Only)
<b>Assets</b>				
Cash and cash equivalents (Note 4)	\$ 849,893	\$ -	\$ -	\$ 849,893
Property taxes receivable	532,776	-	-	532,776
Due from other governmental units	399,036	-	-	399,036
Capital assets (Note 5)	-	852,983	-	852,983
Amount to be provided for accrued employee benefits	-	-	5,208	5,208
Total assets	<u>\$ 1,781,705</u>	<u>\$ 852,983</u>	<u>\$ 5,208</u>	<u>\$ 2,639,896</u>
<b>Liabilities and Fund Equity</b>				
<b>Liabilities</b>				
Accounts payable and other	\$ 190,668	\$ -	\$ -	\$ 190,668
Deferred revenue	905,229	-	-	905,229
Accrued employee benefits (Note 6)	-	-	5,208	5,208
Total liabilities	1,095,897	-	5,208	1,101,105
<b>Fund Equity</b>				
Investment in general fixed assets	-	852,983	-	852,983
Reserved for endowment	186,675	-	-	186,675
Fund balances - Unreserved:				
Designated for tax appeals	33,210	-	-	33,210
Designated for building improvements	20,000	-	-	20,000
Designated for subsequent year's budget	94,370	-	-	94,370
Undesignated	351,553	-	-	351,553
Total fund equity	<u>685,808</u>	<u>852,983</u>	<u>-</u>	<u>1,538,791</u>
Total liabilities and fund equity	<u>\$ 1,781,705</u>	<u>\$ 852,983</u>	<u>\$ 5,208</u>	<u>\$ 2,639,896</u>

# Charter Township of Milford Library

## Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund Year Ended December 31, 2003

	Budget	Actual	Over (Under) Budget
<b>Revenue</b>			
Current and delinquent property tax	\$ 822,000	\$ 848,711	\$ 26,711
Industrial facilities tax	30,300	32,277	1,977
Single business tax	1,450	1,454	4
Charges for service - Sales	2,000	3,695	1,695
State aid	15,800	15,851	51
Gifts, memorials, and other	90,368	186,129	95,761
Book fines	13,000	17,319	4,319
Penal fines	29,000	29,299	299
Interest on investments	12,700	12,778	78
Service charge - Commerce Township (Note 10)	60,000	66,275	6,275
Total revenue	1,076,618	1,213,788	137,170
<b>Expenditures</b>			
Salaries	507,878	491,298	(16,580)
Payroll taxes	39,397	37,617	(1,780)
Employee benefits	62,400	61,395	(1,005)
Supplies	17,600	16,836	(764)
Contracted services	17,260	16,451	(809)
The Library Network	39,110	38,805	(305)
Communications	4,300	3,890	(410)
Memberships, dues, and travel	4,000	3,957	(43)
Advertising and promotion	7,500	7,087	(413)
Postage	2,570	2,411	(159)
Insurance	19,000	17,176	(1,824)
Utilities	48,100	48,008	(92)
Repairs and maintenance	30,730	30,682	(48)
Books	59,270	58,168	(1,102)
Periodicals	12,800	12,751	(49)
Audio/Visual	28,120	27,153	(967)
Electronic resources	12,888	12,772	(116)
Rent	370	367	(3)
Capital outlay	453,570	408,024	(45,546)
Community promotion	6,185	5,387	(798)
In-service training	1,700	1,535	(165)
Refunds and rebates	500	75	(425)
Miscellaneous	16,030	14,586	(1,444)
Total expenditures	1,391,278	1,316,431	(74,847)
<b>Excess of Expenditures Over Revenue</b>	(314,660)	(102,643)	<b>\$ 212,017</b>
<b>Fund Balance - January 1, 2003</b>	<u>788,451</u>	<u>788,451</u>	
<b>Fund Balance - December 31, 2003</b>	<b><u>\$ 473,791</u></b>	<b><u>\$ 685,808</u></b>	

# Charter Township of Milford Library

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## Notes to Financial Statements December 31, 2003

### **Note 1 - Summary of Significant Accounting Policies**

The accounting policies of the Charter Township of Milford Library (the "Library") conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant accounting policies:

#### **Reporting Entity**

The Library is governed by an elected six-member board. In accordance with generally accepted accounting principles, there are no component units to be included in these financial statements.

#### **Fund Accounting**

The accounts of the Library are organized on the basis of a fund type and account groups, each of which is considered a separate accounting entity. Currently, the only fund of the Library is the General Fund, which is a generic fund type in the broad category referred to as governmental funds. The General Fund contains the records of the ordinary activities of the Library that are not accounted for in another fund. General Fund activities are financed primarily by revenue from general property taxes.

#### **Basis of Accounting**

The modified accrual basis of accounting is utilized. Modifications in such method from the accrual basis are as follows:

- a. Property taxes and other revenue that are both measurable and available for use to finance operations of the Library are recorded as revenue when earned. Other revenue is recorded when received.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls.

Deferred revenue in the General Fund of \$905,229 represents property taxes that were levied December 1, 2003 and will be available to finance operations of the Library in 2004.

- b. Normally, expenditures are not divided between years by the recording of prepaid expenses.
- c. Payments for inventorable types of supplies are recorded as expenditures at the time of purchase.
- d. The noncurrent portion of the accrued sick pay liability is reflected in the General Long-term Debt Account Group.

# Charter Township of Milford Library

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## Notes to Financial Statements December 31, 2003

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

**General Fixed Assets and Long-term Liabilities** - General fixed asset purchases are recorded as expenditures at the time of purchase. Such assets are recorded at cost or, if donated, at their estimated fair value on the date donated in the General Fixed Assets Account Group. No depreciation has been provided on general fixed assets.

Long-term liabilities are accounted for in the General Long-term Debt Account Group, not in the General Fund.

The General Fixed Assets Account Group and General Long-term Debt Account Group are not funds and do not involve the measurement of results of operations.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

**Memorandum-only Totals** - The total data presented is the aggregate of the fund type and account groups and is presented for analysis purposes only. No consolidations or other eliminations were made in arriving at the totals; therefore, they do not represent consolidated information.

Other accounting policies are disclosed in other notes to the financial statements.

### **Note 2 - Lease Agreement**

During the year ended December 31, 2003, the Library moved to a new facility. The new facility was built primarily from the proceeds of bonds issued by the Township of Milford. The principal and interest on the bonds are being paid by the Township from a voted millage. The portion of the bonded debt relating to the Library facility is \$6,075,000. The Library will enter into lease agreements with the Township.



# Charter Township of Milford Library

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## Notes to Financial Statements December 31, 2003

### Note 3 - Budget Information

The annual budget is prepared by the Library Director and adopted by the Library Board; subsequent amendments are approved by the Library Board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at December 31, 2003 has not been calculated. During the current year, the budget was amended in a legally permissible manner.

The budget has been prepared in accordance with generally accepted accounting principles.

The budget has been adopted on a line-item basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the General Fund budget as adopted by the Library Board is included in the general purpose financial statements.

### Note 4 - Cash and Cash Equivalents

The Library's cash and cash equivalents at December 31, 2003 are composed solely of bank deposits (checking, savings, and certificates of deposit) of \$849,893. Of this amount, \$186,675 is restricted as an endowment contribution.

#### Deposits

The Library's deposits are administered by the Charter Township of Milford (the "Township") and are held in separate accounts in the name of the Township. The deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at \$785,277. The federal depository insurance coverage pertains to all the deposits of the Township; hence, the specific coverage pertaining to the Library's deposits, if any, is not determinable.

#### Investments

The Library is authorized by Michigan Public Act 20 of 1943 (as amended) to invest surplus monies in U.S. bonds and notes, certain commercial paper, U.S. government repurchase agreements, bankers' acceptances and mutual funds, and investment pools that are composed of authorized investment vehicles.

The Library had no investments at December 31, 2003.

# Charter Township of Milford Library

## Notes to Financial Statements December 31, 2003

### Note 5 - Capital Assets

A summary of changes in general fixed assets follows:

	Balance January 1, 2003	Additions	Deletions	Balance December 31, 2003
Land (a)	\$ 469,832	\$ -	\$ (412,797)	\$ 57,035
Office equipment and furniture (a)	378,178	408,244	(46,094)	740,328
Books, periodicals, recordings, and films (b)	<u>48,249</u>	<u>11,283</u>	<u>(3,912)</u>	<u>55,620</u>
Total	<u>\$ 896,259</u>	<u>\$ 419,527</u>	<u>\$ (462,803)</u>	<u>\$ 852,983</u>

(a) These fixed assets are recorded at the original cost at the time they were purchased or constructed.

(b) Books, periodicals, recordings, and films are recorded at \$1.00 per item. The replacement value, based on trade publications' average costs adjusted for discounts and processing costs applicable to Library purchases, was approximately \$1,190,000 as of December 31, 2003.

### Note 6 - Accrued Employee Benefits

At December 31, 2003, the accrued employee benefits to be paid under the Library's sick pay policy amounted to \$5,208. Under the Library's policy, employees earn sick time based on time of service with the Library.

### Note 7 - Simplified Employee Pension Plan

The Library provides pension benefits to all of its employees through a simplified employee pension plan. In a simplified employee pension plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate after three years of service with the Library. As established by the Library's Board, the Library contributes 5 percent of employees' gross earnings. In accordance with these requirements, the Library contributed \$10,418 during the current year.

The Library's contributions for each employee are fully vested immediately.

# **Charter Township of Milford Library**

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## **Notes to Financial Statements December 31, 2003**

### **Note 8 - Risk Management**

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Library has purchased commercial insurance for medical benefits claims, and participates in the Michigan Townships Participating Plan for claims relating to property loss, torts, and errors and omissions; the Library is uninsured for unemployment compensation claims. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Townships Participating Plan operates as an insurance purchasing pool for local units of government in Michigan. The Plan purchases commercial insurance on behalf of its members at a lower cost than would be available on an individual basis.

### **Note 9 - Upcoming Reporting Change**

For the year beginning January 1, 2004, the Library plans to adopt GASB Statement Number 34. This will dramatically revise the information being reported in these financial statements. Governmental activities will also report on the full accrual basis of accounting. Information is not available to present pro forma data that would show the effect of this future change.

### **Note 10 - Subsequent Event**

The Library's agreement to provide library services to Commerce Township residents is not being renewed for the year beginning January 1, 2004.